



MISSOURI CREDIT UNION ASSOCIATION

June 10, 2011

The Honorable Ben S. Bernanke
Chairman, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of Missouri's 139 credit unions, the Missouri Credit Union Association would like to urge you and other members of the Federal Reserve Board to include all costs as part of the formula in calculating interchange fees when developing your final rule to regulate debit interchange fee income and debit card routing under the Dodd-Frank Act.

As the July 21 date for implementation looms, we continue to have serious concerns with the debit interchange provision and the impact it will have on credit unions in Missouri and across the country. As demonstrated by the 54 U.S. Senators who voted in favor of a debit interchange delay amendment on June 8, this is a concern also shared by a majority of U.S. Senators.

The exemption for small issuers must be enforced by the Federal Reserve Board.

The Act provides an exemption for small issuers with assets under \$10 billion from the interchange fee rate setting limitations that will apply to larger issuers, but does not include provisions specifically designed to enforce the exemption. Please include provisions that ensure the networks will provide a two-tiered structure that accommodates higher interchange fees for small issuers.

Small issuers must be protected from the routing and exclusivity provisions under the Act.

The Act also directs the Federal Reserve to regulate debit interchange routing and the new prohibition on exclusive arrangements between networks and issuers. The debit routing and exclusivity provisions will apply to all debit card issuers, regardless of asset size. Even if a two-tiered system is allowed and works in practice, these provisions may undermine credit unions' interchange income.

Out of the two alternatives provided in the initial proposal, the first option that requires each issuer to participate in an independent signature network and independent PIN network would be less burdensome on credit unions because it would only require issuers to provide debit cards that can be used over two unaffiliated networks.

In addition, under the routing provisions, small issuers could be further disadvantaged if merchants are able to steer transactions toward large issuers that must operate under lower debit interchange fees. We are particularly concerned about the impact of this provision on Missouri's credit unions that primarily fall into the small issuer category.

Your Best Resource!

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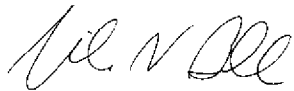
The Board must include all allowable debit card costs in setting the limits on the interchange fees.

The Missouri Credit Union Association recognizes that the Federal Reserve Board was restricted from considering most overhead costs and fraud expenses. These restrictions prevent the Federal Reserve Board from being able to fully and accurately address the debit interchange issue. However, it is extremely important that the Board considers and includes every allowable debit card cost when setting the interchange fee limits.

As recent data breaches demonstrate, the fraud costs borne by credit unions are substantial. Debit interchange allows credit unions and other financial institutions to respond to data breaches and protect consumers as much as possible, while continuing to operate debit card programs. It is essential that these costs be calculated to their fullest extent possible. Otherwise, the unfortunate result will be that more consumers will have less access to debit cards.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael V. Beall", written in a cursive style.

Michael V. Beall
President/CEO